

Working Paper Series



THE ONTARIO ECONOMIC COUNCIL ✓

Grant L. Reuber

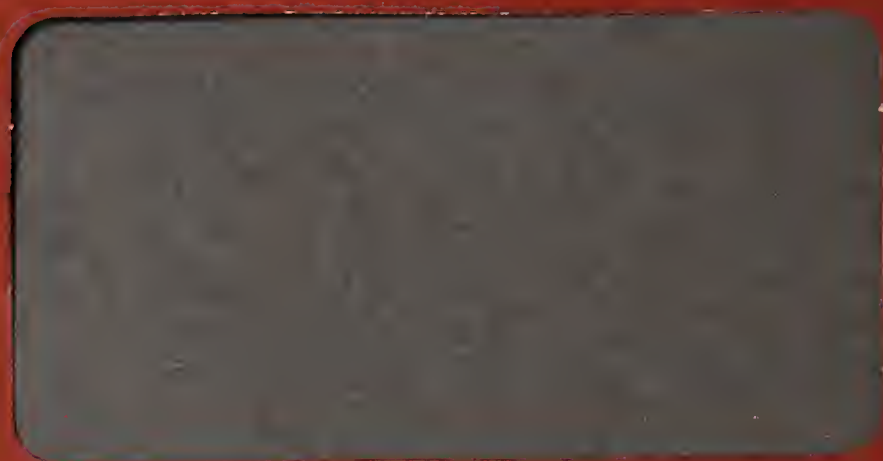
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Ontario Economic Council

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The most striking feature of public affairs during the past two decades has been the rapid growth in the size and complexity of government. Since 1950 total expenditure by all levels of government in Canada, expressed as a percentage of gross national expenditure, has increased from 22 to just under 40 per cent. This has been accompanied by an equally large qualitative change extending into every area of the community. Many more choices, that in an earlier age were left to the individual and the market place, now have to be resolved explicitly within a political framework.

A concurrent development--partly a cause and partly an effect of the vastly enlarged role of government--has been the substantial advance in knowledge and technique in the social sciences, broadly defined, and the large increase in the number of professionally trained social scientists. This increase and improvement in the stock of intellectual capital has exceeded by a considerable margin the increase in the stock of physical capital in this country. The repercussions have been widespread throughout both the private and public sectors.

Institutions such as the Ontario Economic Council (OEC) may be seen as attempts by society to establish more effective machinery to apply our greatly improved and growing stock of intellectual capital to the large and ever-growing demands of public policy. The development of such institutions started later in Canada than in other industrialized countries and has proceeded more slowly. However, in one form or another such institutions are here to stay and can be expected to grow as society becomes richer, as the demand for public policy analysis grows and as the supply of intellectual capital expands.

Origins of the OEC

The OEC was first established by Order-in-Council on February 1, 1962. Its creation reflected the general concern throughout the country at the time about our long-term economic



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prospects--best exemplified, perhaps, by the Royal Commission on Canada's Economic Prospects (Gordon Commission) which submitted its Report in 1957.

When the OEC was formed, it was conceived principally as a body that would investigate and report on problems related to achieving a high level of industrial growth and employment for the Province. The primary emphasis was on economic development: indeed, there was some suggestion that the new body might be named the Ontario Productivity Council or the Ontario Economic Development Council. This orientation is reflected in its early reports which dealt with such matters as manufacturing opportunities and potentials for productivity improvement in various industries, labour training and immigration, taxation and rural and urban development.

From the outset the membership, initially totalling 16, consisted of representatives from various sectors of society. Reflecting the thrust of the Council in its early days were its standing committees, which included industrial research, industrial development, northern development, agriculture and tourism. Throughout its early years the Council kept a very low profile. This was done deliberately in the hope of gaining maximum co-operation from government ministries. The rationale was that it would be better to report direct to the appropriate ministry and let government act on findings and take the subsequent credit, rather than have the OEC assume the position of a public advisor and/or critic. An off-shoot of this philosophy was that at no time did the OEC issue an annual report. Throughout this period the Council seldom, if ever, took the initiative publicly.

The present role of the Council began to evolve slowly in 1967-68 when questions were raised regarding the Council's involvement in immigration and its implications for Ontario, inasmuch as the OEC had no statutory basis. This query prompted serious rethinking of the Council's formal position and future role and resulted in the Ontario Economic Council Act being enacted on May 30, 1968.

With the new and very broad terms of reference that the OEC had been given under the Act, the Council had reached the position by mid-1970 where it was concerned with the

priorities and goals of the Province. These concerns culminated in embarking on a goals-development program which was the main emphasis of the Council's work until late 1973.

Restructuring and Reorganization, 1973

By the fall of 1973, the Council's provincial goals program was virtually completed, the terms of its members had expired and the Chairman's position was vacant. This combination of circumstances precipitated a careful review of the Council's future, including the possibility of closing it down. The result was a major reshaping of the Council, intended, in Premier Davis' words, "to assure it a place among the leading research institutes across the country whose primary concern is the development of public policy."

Seventeen new Council members, including the Chairman, were appointed and four members of the previous Council were re-appointed. Together they represent labour, business, the academic community and the general public. The Council's reporting relationship with the Legislature and its administrative arrangements for housekeeping purposes were also transferred from the Ministry of Industry and Tourism to Treasury, Economics and Intergovernmental Affairs.

In announcing the new appointments the Premier stated that "the need for such an agency is increasing for a variety of reasons. Among them are the growing complexity of our society, the extensive involvement of all three levels of government--federal, provincial and municipal--in economic affairs, the desire and need for a well-informed public, and the growing necessity to identify emerging issues before they become pressing problems and to evaluate policy options before they are overtaken by events. It is my goal to have the Council play a key role in the formation of public policy in this Province. In the main that role will take the form of helping focus the attention of policy-makers on new and emerging socio-economic issues as well as expanding the range of approaches for handling existing issues."

An essential feature of the OEC is its independence of the government. The government's direct influence is

limited to the periodic appointment of Council members, and the annual provision of funds. The topics chosen for examination, the personnel doing research and the promulgation of findings and recommendations are all decided upon by the Council without any reference to the government of the day. Even more important, the Premier and members of the government, members of the Council (both past and present) and members of the staff are all fully in agreement that the Council must not only be highly independent but also must be perceived as being an independent agency by both the government and the public if it is to fulfill its role satisfactorily. Again to quote the Premier's words: "At this time, more than ever, we need in this Province a strong independent advisory organization concentrating on socio-economic issues."

Program of Activities

As indicated earlier, the terms of reference of the OEC, as expressed in the Act, are very broad indeed: it is authorized to focus upon virtually any aspect of public policy. It may discharge its obligations in an equally broad and unspecified manner: by directly advising the Premier, individual Ministers and the Cabinet; by undertaking and publishing research studies; and through a program of public education.

A two-pronged approach is being followed. An initial series of shorter-term studies has been commissioned for completion by the fall of 1974. Some of these are intended to survey particular issues; others are more specific and analytical. In all cases the purpose is: (i) to provide studies that can stand on their own as useful contributions, and (ii) to point up issues that the Council considers to be important for further research.

The second feature is a longer-term research strategy which will concentrate the limited resources available on a few of the many areas calling for attention. The strategy decided upon gives primacy to the general area of public expenditures. Work in this area is expected to absorb well over half of the Council's resources during the next few years. The program will focus on the size and growth of public expenditures, on question of the efficiency and effectiveness of government programming

(both existing and alternative) and on the distribution of personal income. Particular attention will be given to expenditures in the Social Development Policy Field (health, education, community and social services) which at present makes up two-thirds of the Provincial budget and has grown by more than one-third in three years.

In the years immediately following World War II, the expansion of government spending was viewed largely in terms of economic growth and improved economic stability. The spending of an enlarged public sector constituted the principal weapon in the struggle to achieve high and stable employment, and income. Family allowances and old age security, for example, were as much justified in these terms as by reason of their income distributional effects. In the last ten or fifteen years, however, the attention of government has increasingly shifted away from the stabilizing properties of government expenditure programs and toward their income distributional effects, whether in money or in kind.

An important first task will be to articulate the issues that arise in the public expenditure field more precisely and to organize empirical research to illuminate them more clearly. One aspect of this will be the assembly of information concerning the distribution of personal income in Ontario and the impact which all three levels of government have upon it. Another aspect will be the examination of the dynamics of government decision-making and how these may have both contributed to the high growth of the public sector and the retention of outmoded and inefficient programs. In addition to more general studies of this kind, detailed studies of particular expenditure programs will also be undertaken. The basic aim of such specific studies will be two-fold: (i) to provide factual information on how existing programs function and what effects they have; and, (ii) to seek alternatives that may improve upon existing programs.

Supplementing its work on public expenditures, another focal point in the Council's longer term plans is the general issue of national independence which has commanded considerable

public attention in recent years, as indicated for example by the recent work by the Select Committee on Economic and Cultural Nationalism in the Ontario Legislature.

A further long term concern of the Council is to assist in the development of more and better information in selected areas for purposes of policy analysis. There is also the issue of how to provide freer access to existing data, recognizing that much of the data required for policy analysis is collected by government departments and agencies. A start has been made in this direction by organizing a three-man Task Force to review the availability of meaningful information on local and regional government and how the supply of such information might be improved.

Finally, the Council is still in the process of developing its program to promote improved public information and education. As a first step, in November 1974 it will sponsor a one-day conference at Toronto on the economic outlook for 1975 in Ontario and in Canada. Other plans for conferences, seminars, and so forth are being reviewed. Ways and means are also being sought to decentralize the Council's activities throughout the Province, particularly in the field of public information and education.

Management, Staffing and Publications

The present management team comprises the Chairman (part-time), the Advisor, D. G. Hartle (part-time), the Research Director, C. J. Hindle (full-time) and the Executive Officer, I. Butters (full-time). Dr. Hartle is a Professor of Economics at the University of Toronto who, until recently, was Deputy Secretary to the Treasury Board in Ottawa. Dr. Hindle joined the Council in June as part of the Executive Interchange Program of the federal government. Prior to that, he was Director of the Effectiveness Evaluation Division of the Treasury Board Secretariat. Mr. Butters has been with the Council since 1964.

The Council's immediate plans call for a full-time staff of six to eight full-time Research Officers, of whom five have now been, or are about to be, appointed. All full-time staff are being employed on a limited term basis. This in-house

staff will be supplemented by Research Associates from outside the Council drawn from the Universities, consulting firms, and other groups as appropriate.

The final organizational feature that might be mentioned relates to the Council itself. In order to make it feasible for Council members to discharge their responsibilities as effectively as possible, six sub-committees have been formed. Each Council member is on one such sub-committee (one of them serving as Chairman) along with a staff member (serving as Secretary) and the Research Director and the Council Chairman (as ex officio members). The six sub-committees are: Education; Health; Social Services and Transfers; Environment, Transportation and Urban Affairs; National Independence; and Northern Development. It is intended that the staff member, along with the Research Director and the Council Chairman, will provide a direct link between each sub-committee and the research work done in each of these areas. This work will be carried out by research teams comprised of full-time Research Officers and Research Associates from outside the full-time staff.

The Council contemplates two types of publications. One category will be comprised of research studies, of professional calibre, published under the author's name. Although bearing the Council's imprimatur, the Council will not assume responsibility for the accuracy of the data and the analysis nor for the conclusions and policy judgments expressed.

The second category of publications will include policy statements by the Council, an annual report and any other documents that the Council from time to time may decide to publish. No attempt will be made to publish an annual review such as that published by the Economic Council of Canada. Rather, when the Council wishes to express its views on some issue, it will issue a relatively brief policy statement written in non-technical language and addressed to the general public.

Concluding Comments

Having reviewed the background, activities and plans of the Council, one question remains: Why have a Council at all? Why not rely on government departments, universities, and existing private and semiprivate agencies to perform the functions of the Council? In what ways is the OEC better suited to discharge

these functions than these other institutions?

By comparison, first, to a government department, some of the advantages which the Council affords are fairly evident. For one thing, it is often able to take a longer term and more comprehensive view of policy in various fields, unencumbered by short-term exigencies, the political pressures of the moment, and the confines of departmental interests and jurisdictional concerns. In addition, the Council's independence permits it to pursue those topics that it feels are important. The Council thus provides the possibility of placing before the public views on policy questions as alternatives to those emanating from the government and its opposition. A third major advantage is that the Council and its staff are not and should never be a part of the government structure which can be cumbersome and open to special pressures. The Council provides an opportunity to avoid these disadvantages in some degree and to call a spade a spade. Finally, because of its independent status, the Council can undertake activities that a government might find awkward. Related to this, the Council is well placed to develop close and productive relationships with similar institutions in the country, various political groups, and representatives of other sectors of the community.

Most universities have given much more attention to public policy questions in recent years. For the most part, however, these efforts remain scattered and discontinuous. Groups within universities are hampered by the constraints that go with mounting research that crosses disciplinary lines, that depends upon directed inquiry and that is oriented to illuminating current policy issues, rather than training and individual scholarship. At the same time, the universities of Ontario and elsewhere provide one of the major sources of intellectual capital in the country. A central feature of the Council's plans is to provide effective arrangements whereby this resource can be more effectively brought into play in the analysis of public policy.

The privately funded groups in the Province fall into three categories. Those that operate within large business enterprises are obviously directed to the advancement of these

enterprises. The resources of private consulting firms are available for policy analysis but can only be marshalled in response to requests to undertake work on specific questions. The Council has employed such firms in the past and intends to do so in future; but there still remains the need for a Council to identify issues and initiate and organize the process of exploring them. Apart from a few specialized Canada-wide groups such as the Canadian Tax Foundation, there are practically no privately funded agencies concerned with the analysis of public policy as it impinges upon Ontario residents. Indeed, the OEC may at present be the only agency in Ontario, public or private, that performs this function.

There are also additional reasons for having such an agency in Ontario, rather than rely upon the work done in Ottawa, Montreal, and elsewhere. First, given the size and importance of Ontario within Canada and the regional character of the country, policy analysis from an Ontario perspective is important from the standpoint of the Province, as well as the country. This in no way implies that the Council's work will be narrowly focussed on Ontario as distinct from Canada as a whole, nor that the Council sees its function as the promotion of Ontario's interest at the expense of the rest of Canada. Secondly, in a federally constituted country, it is important that policy analysis be conducted by provincially sponsored agencies as well as by federally supported agencies. It is noteworthy that somewhat similar agencies now exist in most provinces. Finally, the location of the OEC makes it feasible to bring the concentrated pool of talent available in Ontario into play on policy issues.

Summing up, one may say that the OEC has recently entered a third phase of its development. At this stage, it offers mainly plans and promise which will take some years to materialize. Only time will tell whether its plans and promise are matched by performance. Nevertheless, as matters stand there is good reason to believe that it can develop into a major public policy institute in this country, capable of making substantial contributions to the improvement of difficult social choices at all levels of government.

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